



## **RISK MANAGEMENT POLICY**

**2016/2017 FINANCIAL YEAR**

## 1. **INTRODUCTION AND PURPOSE**

### 1.1 **Introduction**

Risk management is a valuable management tool that increases the institution's prospects of success through getting it right the first time and minimising negative outcomes. Local and international trends confirm that risk management is a strategic imperative rather than an option within high performing institutions.

Risk management will be of benefit to Midvaal Local Municipality by underpinning and bolstering organisational performance through:

- (a) More efficient, reliable and cost effective delivery of services;
- (b) More reliable decisions;
- (c) Innovation;
- (d) Minimised waste and fraud;
- (e) Better value for money through more efficient use of resources; and
- (f) Improved project and programme management, which provide better outputs and outcomes.

The following factors require consideration when integrating risk management into municipal decision making structures:

- (a) Aligning risk management with objectives at all levels of the municipality;
- (b) Introducing risk management components into existing strategic planning and operational practices;
- (c) Communicating municipal directions on an acceptable level of risk;
- (d) Including risk management as part of employees' performance appraisals; and
- (e) Continuously improving control and accountability systems and processes to take into account risk management and its results.

Risk management comprises of a **Risk Management Framework**, a **Risk Management Policy**, and a **Risk Management Implementation Plan**.

## **1.2 Purpose**

The purpose of this policy is to provide the principals of executing what is contained in the Risk Management Framework, and thus flowing from this Framework as accepted by the Midvaal Local Municipality. This policy serves to formally set out Midvaal Local Municipality's position on risk management, and generally addresses what the municipality will do about risk management.

## **2. LEGAL MANDATE**

### **2.1 Accounting Officer**

Section 62 (1) (c) (i) of the Municipal Finance Management Act, Act 56 of 2003, requires that:

- “(1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all responsible steps to ensure –*
- (c) that the municipality has and maintains effective, efficient and transparent systems –*
- (i) of financial and risk management and internal control.”*

### **2.2 Management**

The extension of general responsibilities in terms of Section 78 of the Municipal Finance Management Act, Act 56 of 2003, to all senior managers and other officials of municipalities implies that responsibility for risk management vests at all levels of management and that it is not limited to only the accounting officer and internal audit.

### **2.3 Internal Audit**

Section 165(2)(a), (b)(iv) of the Municipal Finance Management Act, Act 56 of 2003 states that:

- “(2) The Internal audit unit of a municipality or municipal entity must –*
- (a) prepare a risk based audit plan and an internal audit program for each year;*
- (b) advice the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to –*
- (iv) risk and risk management.”*

## 2.4 Audit Committee

Section 166(2)(a)(ii) of the Municipal Finance Management Act, Act 56 of 2003 states that:

- “(2) *An audit committee is an independent advisory body which must –*
- (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and management staff of the municipal entity, on matters relating to –*
  - (ii) risk management.”*

### **3. DEFINITIONS**

#### **3.1 Risk**

Risks are uncertain future events which could impact the achievement of objectives.

#### **3.2 Risk Management**

Risk management entails co-ordinated activities to identify, assess, manage and monitor risks in a systematic and formalised manner.

#### **3.3 Enterprise Risk Management**

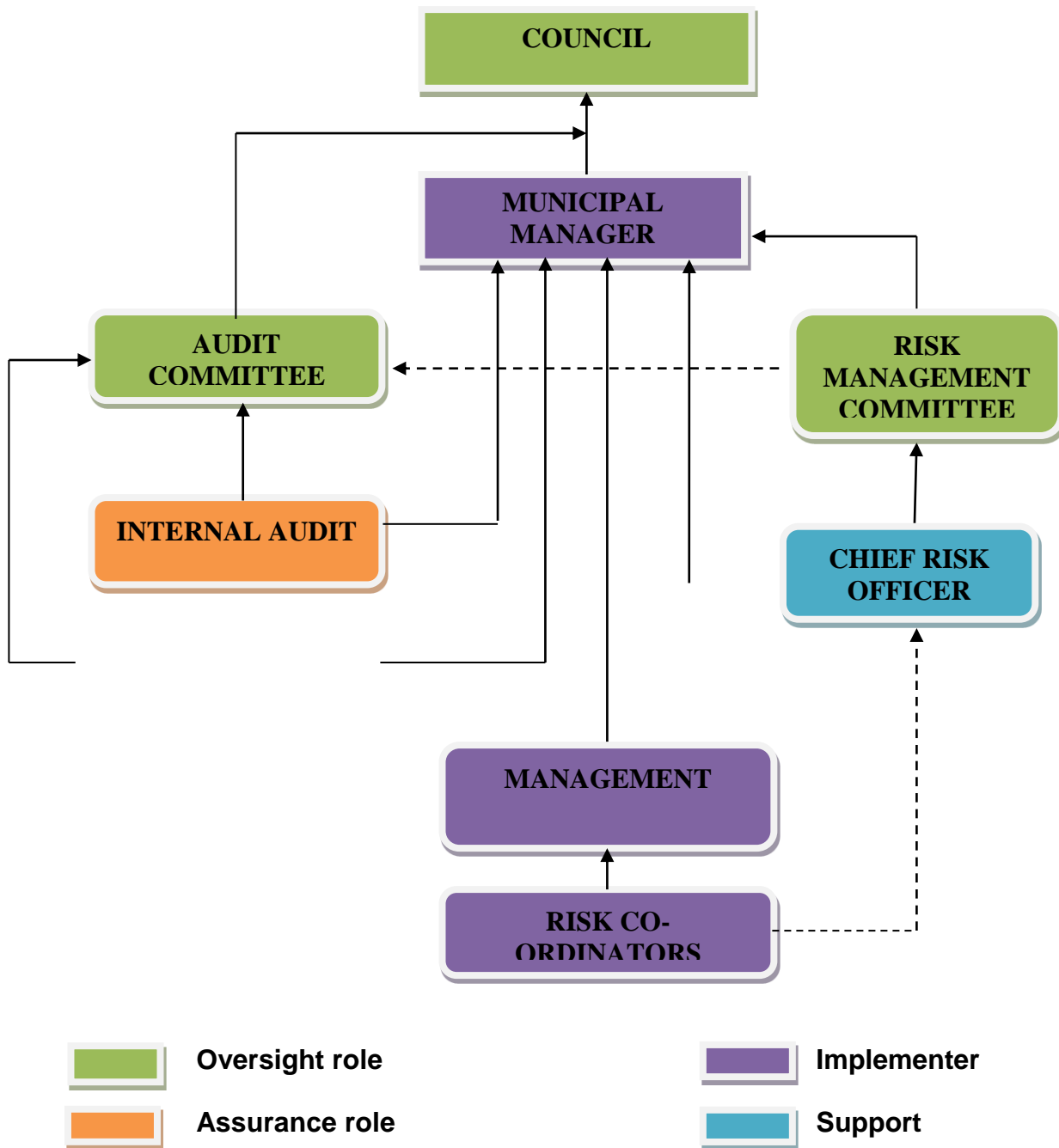
Enterprise Risk Management is a broad based application of risk management, in all major functions and activities of the municipality, rather than in selected areas, to identify, assess, monitor and appropriately mitigate all material risks.

#### **3.4 Risk Appetite**

Risk appetite is the level of risk that an organisation is prepared to accept, before action is deemed necessary to reduce it. It represents a balance between the potential benefits of innovation and the threats that change inevitably brings on.

### **4. ROLES AND RESPONSIBILITIES**

The parties that have a significant role to play in the process of risk management are set out below:



#### **4.1 Executive authority (Council)**

The executive authority should take an interest in risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the municipality against significant risks.

Responsibilities of the Executive Authority include:

- Ensuring that the institutional strategies are aligned to the Government mandate;
- Obtaining assurance that the municipality's strategic choices were based on a rigorous assessment of risk;
- Obtaining assurance from management that key risks inherent in the municipality's strategies were identified and assessed and are being properly managed;
- Assisting the accounting officer to deal with fiscal, intergovernmental, political and other risks beyond their direct control and influence; and
- Insisting on the achievement of objectives, effective performance management and value for money.
- Approves the risk management policy, framework and implementation plan.
- Approve the Fraud Prevention Policy, Strategy and Implementation.

#### **4.2 Accounting Officer (Municipal Manager)**

The accounting officer is accountable for the municipality's risks.

More specifically, the high-level responsibilities of the accounting officer include:

- Setting an appropriate tone by supporting and being seen to be supporting the municipality's aspirations for effective management of risks.
- Delegating responsibilities for risk management to management and internal formations such as the risk management committee.



- Holding management accountable for designing, implementing, and monitoring and integrating risk management into their day to day activities.
- Holding the risk management committee accountable for performance in terms of its risk management responsibilities.
- Providing leadership and guidance to enable management and the risk management committee to properly perform their functions.
- Ensuring the control environment supports the effective functioning of risk management.
- Approving the municipality's risk appetite and tolerance level.
- Devoting personal attention to overseeing the management of significant risks.
- Leveraging the audit committee, internal audit, external audit and the risk management committee for assurance on the effectiveness of risk management.
- Ensuring that appropriate action in respect of the recommendations of the audit committee, internal audit, external audit and the risk management committee to improve risk management.
- Providing assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated.

#### **4.3 Risk Management Committee**

The risk management committee is responsible for assisting the accounting officer in addressing the oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to risk management.

- Review the risk management policy, framework, risk management implementation plan and recommend for approval by the executive authority.
- Review the fraud prevention policy, strategy and implementation plan and recommend for approval by the accounting officer.
- Review the risk appetite and tolerance and recommend for approval by Council.

- Review the municipality's risk identification and assessment methodologies to evaluate their effectiveness in timeously and accurately identifying the municipality's risks.
- Monitor and assess the implementation of the risk management policy, framework and implementation plan.
- Monitoring the reporting of risk by management with particular emphasis on significant risks or exposures and appropriates of the steps management has taken to reduce the risks to an acceptable level.
- Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations.
- Develop its own key performance indicators for approval by the accounting officer.
- Interact with audit committee to share information relating to material risks of the municipality.
- Provide timely and useful reports to the accounting officer on the state of risk management, together with recommendations to address any deficiencies identified by the committee.
- Reviewing the impact of any changes in the municipality on the risk management process and response to these changes including the update of the risk profile.

#### **4.4 Audit Committee**

The audit committee is an independent committee responsible for oversight of the municipality's control, governance and risk management. The responsibilities of the audit committee should be clearly defined in its charter.

The responsibilities of the audit committee include:

- The audit committee should provide an independent and objective view of the Municipality's risk management effectiveness;

- Reviewing and recommending disclosures on matters of risk and risk management in the annual report;
- Providing feedback to the Executive Mayor on the adequacy and effectiveness of risk management in the municipality, including re-commendations for improvement;
- Ensure the acceptability of the risk profile in conjunction with the overall risk appetite of the municipality, taking into account all risk mitigation factors including but not limited to internal controls, business continuity and disaster recovery planning, etc.
- Ensuring that the internal and external audit plans are aligned to the risk profile of the Municipality;
- Satisfying itself that it has appropriately addressed:
  - (i) Financial reporting risks, including the risk of fraud;
  - (ii) Internal financial controls;
  - (iii) IT risks as they relate to financial reporting.
- The audit committee should evaluate the effectiveness of internal audit in its responsibilities for risk management.

#### **4.5 Chief Risk Officer**

The Chief Risk Officer provides specialist expertise in providing a comprehensive support service to ensure systematic, uniform and effective risk management in the municipality.

The specific roles and responsibilities include:

- Working with senior management to develop the municipality's vision for risk management.
- Developing, in consultation with management, the municipality's risk management framework, risk management policy, risk management implementation plan as well as risk appetite and tolerance levels for approval by Council;

- Communicating the risk management policy, risk management framework and risk management implementation plan to all stakeholders in the municipality and monitoring its implementation;
- Continuously driving the risk management process towards higher levels of maturity;
- Developing a common risk assessment methodology that is aligned with the municipality's objectives at strategic, tactical and operational levels for approval by the Accounting Authority;
- Assisting management with risk identification, assessment and the development of response strategies;
- Monitoring the implementation of response strategies;
- Collating, aggregating, interpreting and analysing the results of risk assessments to extract risk intelligence;
- Reporting risk intelligence to the accounting officer, management and the risk management committee;
- Participating with internal audit, management and the Auditor - General in the development of the assurance plan;
- Ensuring effective information systems exist to facilitate overall risk management improvement within the municipality;
- Continuously transferring risk management principles and practices, through training interventions, to all stakeholders within the municipality;
- Co-ordinate reporting on actual non-compliance incidents and losses incurred;
- Communicates with the audit committee and the risk management committee on the status of risk management;
- Providing input into the development and subsequent review of the fraud prevention strategy, business continuity plans occupational health, safety and environmental policies and practices and disaster management plans.

#### **4.6 Internal Audit**

Internal audit provides independent, objective assurance on the effectiveness of the risk management process. The specific roles and responsibilities include:

- Internal audit must evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary;
- In terms of the International Standards for the Professional Practice of Internal Audit, determining whether risk management processes are effective is a judgement resulting from the internal auditor's assessment that:
  - (i) Municipality objectives support and align with the municipality's mission;
  - (ii) Significant risks are identified and assessed;
  - (iii) Risk responses are appropriate to limit risk to an acceptable level; and
  - (iv) Relevant risk information is captured and communicated in a timely manner to enable the accounting officer, management and the Risk Management Committee and other officials to carry out their responsibilities.
- Internal Audit must develop its internal audit plan on the basis of the key risk areas.

#### **4.7 External Audit**

The external auditor (Auditor-General) provides an independent opinion on the effectiveness of risk management. In providing an opinion the Auditor-General focuses on:

- Determining whether the risk management policy, framework and implementation plan are in place and appropriate;
- Assessing the implementation of the risk management policy, framework and the implementation plan;
- Reviewing the risk assessment process to determine if it is sufficiently robust to facilitate timely and accurate risk rating and prioritisation; and

- Determining whether management action plans to mitigate the key risks are appropriate and are being effectively implemented.

#### **4.8 Management**

Management is accountable to the accounting officer for designing, implementing and monitoring risk management, and integrating it into the day-to-day activities of the municipality. This needs to be done in such a manner as to ensure that risk management becomes a valuable strategic management tool for underpinning the efficacy of service delivery and value for money.

High level responsibilities of management include:

- Empowering officials to perform adequately in terms of risk management responsibilities through proper communication of responsibilities, comprehensive orientation and ongoing opportunities for skills development;
- Aligning the functional risk management methodologies and processes with the Municipality's processes;
- Providing risk management reports;
- Presenting to the risk management and audit committees as requested;
- Maintaining the proper functioning of the control environment within their area of responsibility;
- Holding officials accountable for their specific risk management responsibilities;
- Maintains a harmonious working relationship with the Chief Risk Officer and supports the Chief Risk Officer in matters concerning the functions of risk management;
- Keeps key functional risks at the forefront of the management agenda and devotes personal attention in overseeing the management of these risks.

#### **4.9 Other Officials**

All other officials are responsible for integrating risk management into their day to day activities.

Responsibilities include:

- Applying the risk management processes to their respective functions;
- Implementing the delegated action plans to address the identified risks;
- Informing their supervisors and/ or the risk management unit of new risks and significant changes in known risks and
- Co-operating with other role players in the risk management process and providing information as required.

#### **4.10 Risk Management Co-ordinators / Departmental Risk Champions**

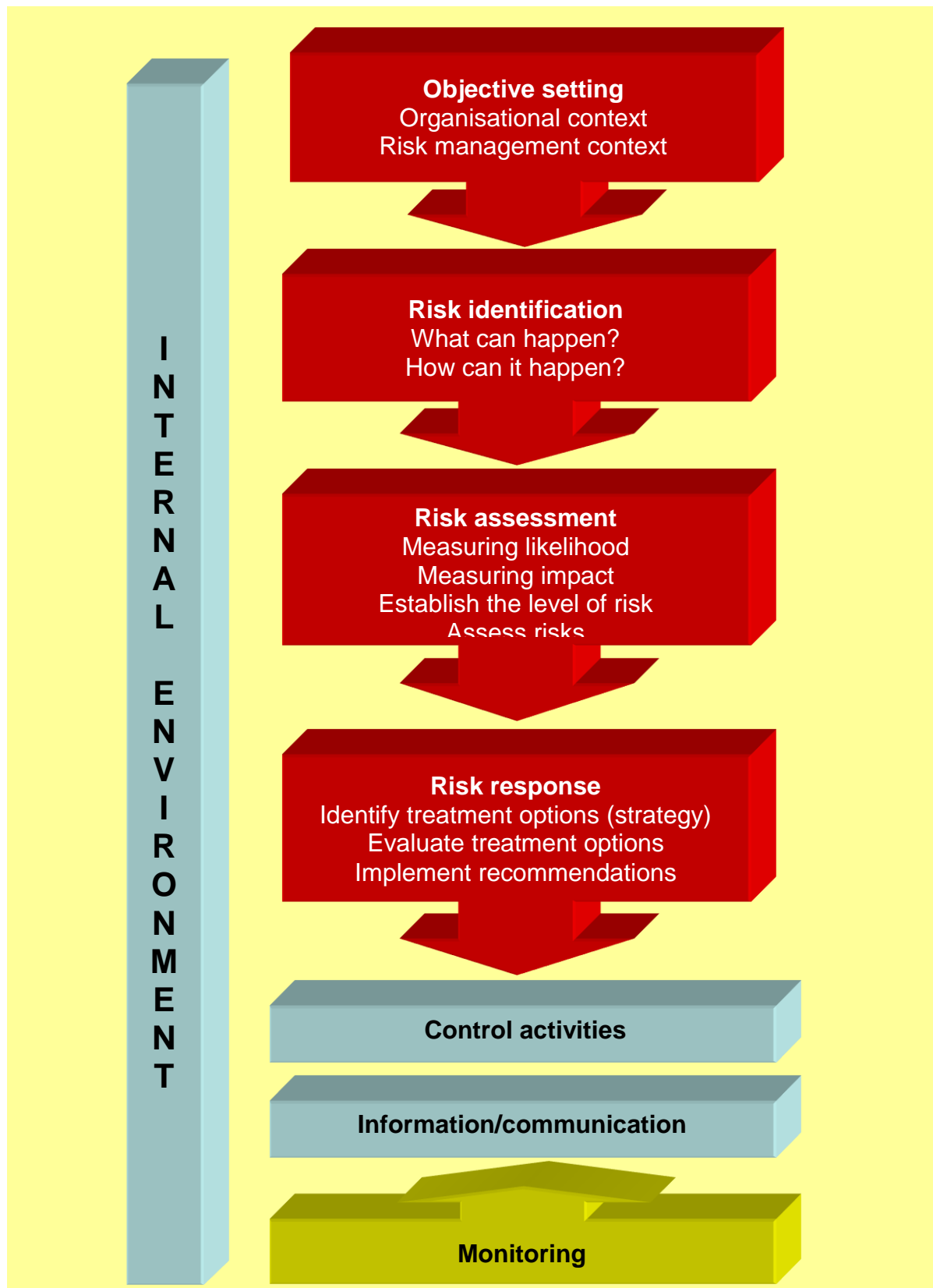
Risk management coordinators are drawn from the existing resources, from within the operations and functions of the various business units.

Responsibilities include:

- Co-ordinate risk management activities within functional areas in the municipality;
- Assist in embedding risk management within the municipality;
- Arrange and facilitate risk meetings, presentations and workshops involving staff within the functional area;
- Providing risk management training and development where required;
- Assist in collating and reporting on risk information;
- Provide guidance on matters relating to risk management.

## 5. RISK MANAGEMENT PROCESS

Components of the Risk Management Process





## **5.1 Internal Environment**

A municipality's internal environment is the foundation of risk management, providing discipline and structure. The internal environment influences how the strategy and objectives are established, the municipality's activities are structured, and risks are identified, assessed and acted upon. It influences the design and functioning of control activities, information and communication systems, and monitoring activities.

The internal environment consists of ten different layers that should all be present and functioning:

### **1. Risk Management Philosophy**

The risk management philosophy is the set of shared beliefs and attitudes that characterise how the municipality considers risk in everything it does from strategy development and implementation to its day-to-day activities.

The overall risk philosophy of the municipality is to identify, assess and manage its risks so as to preserve its strategic objectives and create value for all its stakeholders.

### **2. Risk appetite**

The risk appetite can be defined as the amount of risk that the municipality is willing to accept in pursuit of its mission/vision.

The risk appetite guides resource allocation. The risk appetite enables an improved consistency of decision making at all levels through improving risk understanding and also provides a framework for knowingly taking risk within defined boundaries.

The key determinants of risk appetite are as follows:

- Expected performance;
- The capital needed to support risk taking;
- The culture of the municipality;
- Management experience along with risk and control management skills; and
- Longer term strategic priorities.

### **3. Risk tolerance**

Risk tolerances are the acceptable levels of variation relative to the achievement of objectives. In setting risk tolerances, management should consider the relative importance of the related objectives and aligns risk tolerances with risk appetite. Operating within risk tolerances provides management greater assurance that the municipality remains within its risk appetite and, in turn, provides a higher degree of comfort that the entity will achieve its objectives/goals.

### **4. Council**

The municipality's Council is a critical part of the internal environment and significantly influences other environmental elements.

### **5. Integrity and Values**

Management integrity is a prerequisite for ethical behaviour in all aspects of a municipality's activities. The effectiveness of risk management cannot rise above the integrity and ethical values of the people, who create, administer and monitor the municipality's activities.

**6. Commitment to Competence**

Competence reflects the knowledge and skills needed to perform assigned tasks. Management should decide how well these tasks need to be accomplished weighing the municipality's strategy and objectives against plans for strategy implementation and the achievement of objectives.

**7. Organisational Structure**

The municipality's organisational structure provides the framework to plan, execute, control and monitor its activities. The organisational structure should be organised to enable effective risk management and to carry out its activities so as to achieve its objectives.

**8. Authority and Responsibility**

This includes establishing the reporting relationships and authorisation protocols as well as policies that describe appropriate practices, knowledge and experience of key personnel as well as the resources for carrying out duties.

**9. Human Resource Policies and Procedures**

Human Resource Policies and Practices pertaining to employing, orientation, training, evaluating, counselling, promoting, compensating and taking remedial actions send messages to employees regarding the expected levels of integrity, ethical behaviour and competence.

## 5.2 Objective setting

Objectives must exist before management can identify events potentially affecting their achievement. The setting of these objectives is usually completed during the “Strategic planning and Budgetary process.”

The municipality’s objectives can be viewed in the context of four categories:

- **Strategic** – relating to high-level goals, aligned with and supporting the municipality’s mission/vision;
- **Operations** – relating to effectiveness and efficiency of the municipality’s operations, including performance and service delivery goals. They vary based on management’s choices about structure and performance;
- **Reporting** – relating to the effectiveness of the municipality’s reporting. This include external and internal reporting and may involve financial or non-financial information;
- **Compliance** – relating to the municipality’s compliance with applicable laws and regulations.

After having clearly documented and confirmed the municipality’s objectives, it is necessary to identify all potential risks and threats relating to processes, assets and strategy. These must reflect the possible problems and situations that may hinder the achievement of the objectives of the municipality.

## 5.3 Risk Identification

The Risk identification phase is a deliberate and systematic effort to identify and document the municipality’s key risks. The risk identification process should cover all risks, regardless of whether or not such risks are within the direct control of the municipality.

Up to date and relevant information is important in identifying risks. Risk identification should be strengthened by supplementing management's perceptions of risk with:

- Review of external and internal audit reports;
- Review of the reports of MPAC;
- Financial analysis;
- Historic data analyses;
- Actual loss of data;
- Interrogation of trends in key performance indicators;
- Benchmarking against peer groups or quasi peer groups;
- Market and sector information;
- Scenario analysis; and
- Forecasting and stress testing.

To ensure comprehensiveness of risk identification the municipality should identify risks through appropriate processes of:

**Strategic risk identification** – This means to identify risks emanating from the choices made by the municipality, specifically with regard to whether such choices weaken or strengthen the municipality's ability to execute its constitutional mandate. Strategic risks should be formally reviewed concurrently with changes in strategy, or at least once a year to consider new and emerging risks.

**Operational risk identification** – This entails the identifying of risks concerned with the municipality's operations. Operational risk identification should be repeated when changes occur such as significant environmental or institutional changes, or at least once a year, to identify new and emerging risks.

**Project risk identification** – This means to identify risks inherent to particular projects. Project risk should be identified for all major projects, covering the whole lifecycle. As for long term projects, the project risk register should be reviewed at least once a year to identify new and emerging risks.

#### **5.4 Risk assessment**

Risk assessment is a systematic process to quantify or qualify the level of risk associated with a specific threat or event. The main purpose of risk assessment is to help management prioritise the identified risks. This enables management to spend more time, effort and resources to manage risks of higher priority than risks with lower priority. The output of the risk assessment is a risk register enriched by addition of ratings for each risk.

Risks should be assessed on the basis of the likelihood of the risk occurring and the impact of its occurrence on the particular objective it is likely to affect. The risk assessment is performed using a 3 step process, as described in detail in the Risk Management Framework.

#### **5.5 Risk response**

The purpose of risk response is to develop strategies to reduce or eliminate the threats and events that create risks. Risk response involves identifying and evaluating the range of possible options to address risks and implementing the chosen option.

Management should develop response strategies for all material risks, prioritising the risks exceeding or nearing the risk appetite level. Response strategies should be documented together with the responsibilities and timelines.

## 5.6 Control Activities

Risk responses serve to focus attention on control activities need to help ensure that the risk responses are carried out properly and in a timely manner. Control activities are part of the process by which a municipality strives to achieve its objectives.

Control activities are the policies and procedures that help ensure that management responses are properly executed. They occur throughout the municipality, at all levels and in all functions.

Management should develop the internal control architecture through:

1. **Preventative controls** to prevent errors or irregularities from occurring e.g. physical security of assets to prevent theft;
2. **Detective controls** to find errors or irregularities after they have occurred e.g. performance of reconciliation procedure to identify errors; and
3. **Corrective controls** that operate together with detective controls to correct errors and irregularities.

The internal control architecture should include:

1. **Management controls** to ensure that the municipality's structure and systems support its policies, plans and objectives, and that it operates within laws and regulations;
2. **Administrative controls** to ensure that policies and objectives are implemented in an efficient and effective manner;

3. **Accounting controls** to ensure that resources are accounted for fully and transparently and are properly documented; and
4. **Information technology controls** to ensure security, integrity and availability of information.

## 5.7 Information and Communication

Properly and timeously communicated relevant information is essential to equip the relevant officials to identify and assess and respond to risks.

Effective information and communication is intended to support enhanced decision making and accountability through:

- Relevant, timely, accurate and complete information;
- Communicating responsibilities and actions.

## 5.8 Monitoring

Risk management should be regularly monitored – a process that assesses both the presence and functioning of its components and the quality of their performance over time. Monitoring can be done in two ways: through ongoing activities or separate evaluations. This will ensure that risk management continues to be applied at all levels across the municipality.

Monitoring activities should focus on:

- **Monitoring of risk action plans** - Risk action plans need to be monitored on an ongoing basis to ensure the necessary actions are implemented on schedule and as intended.



- **Monitoring of controls** - The effective operation of existing controls as well as their cost effectiveness needs to be evaluated regularly. Evaluations may include management reviews, self assessment reviews and third party reviews as appropriate. Internal audit should also perform periodic reviews on existing controls as well as the implementation of necessary additional controls on a periodic basis.
- **Monitoring of new and emerging risks** - The risk profile of any organisation will change over time. Thus there is a need to monitor and review the risk profile of the municipality to ensure that it remains relevant and complete. Changes in strategy, the legal and regulatory environment, restructuring, loss of key personnel, significant control deficiencies, fraud, and changes in business objectives will require an immediate review of municipal risk profiles.
- **Monitoring of the effectiveness of the risk management process** - The efficiency of the entire risk management process should be monitored periodically. A positive correlation should exist between improvements in the system of risk management as well as institutional performance.

## 5.9 Incident Reporting

Incident reporting is another means of risk monitoring and reviewing the effectiveness of controls. Certain disciplines such as safety, health, environmental and quality may already have in place incident reporting systems. Such reporting systems should be integrated into the broader risk management incident reporting systems in order to avoid duplication of effort.

### **5.10 Performance Measurement**

Management's performance with the processes of risk management will be measured and monitored through the following performance management activities:

- Monitoring of progress made by management with the implementation of the risk management policy;
- Monitoring of loss and incident data;
- Management's progress made with risk mitigation action plans; and
- An annual quality assurance review of risk management performance.

## **6. PROCEDURES FOR EXECUTING RISK MANAGEMENT**

Procedures on how Midvaal will integrate risk management into operations and day-to-day activities, will now be explained in the same sequence as contained in the flow diagram reflected above under the heading “Risk Management Process”.

### **6.1 Objective setting**

The objective settings of Midvaal get set and documented at Council and the senior management level, during the annual strategic planning programme, and furthermore, during the process of the revision of the Integrated Development Plan (IDP) & Service Delivery & Budget Implementation Plan (SDBIP) for the financial year ahead.

Legislation gives guidance regarding the reporting expected from the municipality, and thus there are procedures set in place to do the necessary reporting timeously. This furthermore implies that in terms of compliance, Midvaal strives to be 100 % compliant with laws and regulations.

### **6.2 Risk Identification**

The initial risk identification was done based on the goals and objectives as set in the current financial period’s IDP and the SDBIP, taking into account findings made in audit reports from previous audits done by external and internal auditors. These risks were duly documented in the Risk Management Implementation Plan.

Newly identified risks will be brought to the attention of the head of the department where the official identified the risk, who then will report this to the last meeting of senior management each month, where risk management will be as a standing matter on the agenda. After this item was addressed at the senior management meeting, it will be included in the Risk Management Plan.

As new audit reports become available, it will be scrutinised and risks identified in this manner, will also be included after being addressed by the senior management.

### **6.3 Risk Assessment and Risk Response**

On the initial document called Risk Assessment, the various departments where the risk will have an impact, were responsible to do the risk assessment as well as provide the Chief Risk Officer with a risk response as explained in detail in the Risk Management Framework. Guidance on this assessments and responses were also given through verbally in the Risk Management Meetings held with the heads of department or their delegates attending the meeting.

Where new risks emerged within a department, these will have to be assessed and a risk response provided by the applicable department before it is reported to and addressed at the senior management meeting.

### **6.4 Control Activities**

As mentioned previously, control activities are the policies and procedures that help ensure that management responses are properly executed. They occur throughout the municipality, at all levels and in all functions.

There are numerous policies and procedures in place in Midvaal, of which the utilisation are enforced for all officials applicable. These policies get reviewed on a regular basis and amended if changes in operations occur.

## **6.5 Information and communication**

Officials already in the employ of Midvaal will be subjected to annual comprehensive workshops on risk management, and each official's responsibility towards this matter will be stressed.

## **6.6 Monitoring**

All affected departments must report on a quarterly basis on the progress made on the actions to improve the management of risk, as contained in the Risk Management Implementation Plan. The Risk Management Officer will be responsible to update the Risk Management Implementation Plan with the info provided. Midvaal's Risk Management Committee will meet on a quarterly basis, to address the progress reported by the departments, as well as emerging new risks reported via the senior management meetings. The Risk Management Committee will then report to the Municipal Manager on their assessments, by means of submitting their report and minutes of the meeting held. After this, the Municipal Manager will report to Council on risk management, thus also on a quarterly basis.

The internal auditors will also, on quarterly intervals conduct assessments, which will form part of the meeting of the Risk Management Committee, as explained earlier.

An incident reporting system was implemented as part of monitoring, and all incidents will be reported in this register, including theft and losses. The reporting of incidents will be done in the same manner that new risks are treated i.e. it will be reported by the department where it originated, to the senior management meeting via the relevant head of department.

These reports and progress must be made available to Gauteng Treasury, which will monitor progress made by Midvaal by visiting the Risk Management Officer from time to time.

## **6.7 Oversight**

In terms of Section 166 (2) of the Municipal Finance Management Act, Act 56 of 2003, a Performance and Audit Committee is an independent advisory body which must –

“1. *advise the municipal council, the political office-bearers, the accounting officer and management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to –*

1. *...*
2. *risk management;*
3. *...;*

The Chief Financial Officer will provide feedback to the Performance & Audit Committee, during its quarterly meetings.